

Accounting for Emergency Apportionments and Loans

LEAs may receive from the state various types of loans that have to be repaid in the future. Two of these loans are the following:

1. Building repayment loans
2. Emergency apportionments (loans) to LEAs as provided by *Education Code* sections 41320–41324

These loans are recorded as debt issue proceeds (Other Financing Sources, accounts 89xx) and not as revenue because an offsetting debt is incurred. When the proceeds of these loans are received, the following entry is made to the appropriate funds:

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash (9110) Proceeds (89xx)	xxxx	xxxx
To record the receipt of the loan from the state			

Repayment of Building Loans

The repayment of a state loan for a construction project will be accomplished automatically during the loan's repayment period (as specified in the loan agreement) by the withholding of the annual repayment amount from the regular apportionments being credited to the LEA. The practice of the State Controller is to make the withholdings over a period of four months—February, March, April, and May. Accordingly, during each of these months, a prorated portion of the total loan and the interest due will be subtracted from the amounts due the LEA from the State School Fund in accordance with regular apportionments calculations. This means that the credit to the LEA's funds as reported by the county superintendent will be smaller, by the same amount as the repayment on the loan, than the State Superintendent of Public Instruction's certification of the LEA's apportionment. The LEA must record the full amount of the apportionment before the reduction for the loan repayment and interest, and it must record the loan repayment and interest as expenditures.

Assume, for example, that the LEA received a building repayment loan for \$80,000 during the spring of year one. The loan agreement specifies that the loan will be repaid over a two-year period. In year two, \$40,000 plus \$4,800 interest will be deducted from

the LEA's principal apportionment in four payments. The February, March, April, and May apportionments will be reduced by \$11,200 (\$10,000 + \$1,200 interest). The following entries will be made:

In year one in the General Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash 01-0000-0-0000-0000-9110-000	\$80,000.00	
	Other Financing Sources 01-0000-0-0000-0000-89xx-000		\$80,000.00
To record the proceeds of the building repayment loan			

Assume that the LEA's February apportionment in year two was \$100,000; the LEA will receive \$88,800 (\$100,000-11,200), and the following entries will be made:

In year two in the General Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash 01-0000-0-0000-0000-9110-000	\$88,800.00	
	Apportionment 01-0000-0-0000-0000-8011-000		\$88,800.00
To record the receipt of the February principal apportionment, which has been reduced by \$11,200 for the loan repayment and interest due to the state (which will be expended out of the Tax Override Fund)			

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Cash 01-0000-0-0000-0000-9110-000	\$11,200.00	
	Apportionment 01-0000-0-0000-0000-8011-000		\$11,200.00
To record the receipt of funds from the Tax Override Fund			

In year two in the Tax Override Fund

<i>Date</i>	<i>Account</i>	<i>Debit</i>	<i>Credit</i>
x-xx-xx	Loan Repayment 53-0000-0-0000-9100-7432-000	\$11,200.00	
	Cash 53-0000-0-0000-0000-9110-000		\$11,200.00
To record the principal and interest expenditures for the building loan repayment			

Emergency Apportionments

The repayment of emergency loans is done in the same manner as the repayment of building loans except that the principal repayment must be accomplished over not more than a five-year period if the loan is issued pursuant to *Education Code* Section 41323 or ten years if the loan is issued pursuant to *Education Code* Section 41327. The interest and principal payment due annually on an emergency loan will be withheld from the LEA's regular apportionments and must be recorded as an expenditure. All emergency loan entries are normally recorded in the General Fund.

